

MULTIMEDIA



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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BSM3104 – STRATEGIC MANAGEMENT

2 MARCH 2016

9.00 a.m. to 11.00 a.m.

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages excluding the cover page.
2. This question paper consists of TWO (2) sections.
Section A: Answer **ALL QUESTIONS** (40 Marks)
Section B: Answer **ANY THREE** (3) out of four (4) questions. All questions carry equal marks (60 marks)
3. Please write all your answers in the Answer Booklet provided.

SECTION A (40 marks)

Nokia's shareholders approve Alcatel-Lucent deal

HELSINKI: One final step remained for the Finnish telecom group Nokia before sealing the union with its French-American rival Alcatel-Lucent, as Nokia's shareholders gave their consent on Dec 2.

They approved the transaction at an extraordinary general meeting in Helsinki, and Nokia expects to close the deal in early 2016.

Nokia's chief executive Rajeev Suri told AFP that the company was now looking forward to take the final step in the process to create the world's number one networks giant.

"Now it's only a matter of getting the successful tender offer," relieved Suri said, referring to Nokia's public exchange offer for Alcatel-Lucent's shareowners to tender their stakes.

Nokia can proceed with the transaction as soon as it controls over 50% of Alcatel-Lucent's shares, which it expects to happen in early January.

"I feel quite confident because as we have seen we have broad shareholder support, support from customers, regulators, government and so on. There's broad support overall for the deal," Suri assured.

He said Alcatel-Lucent's shareholders could expect to profit from Nokia's generous capital return policy in the future.

To reassure the company's Finnish shareholders who were worried that the headquarters might be moved to Paris, Suri said Nokia's "will continue to have Finland deep in our DNA."

Employees both in Finland and in France have feared massive job cuts to be ahead after Nokia announced it expected to find €900mil (RM4.03bil) synergies in combining the two companies. While Suri said he couldn't "guarantee that there will be no restructuring," he also assured he would be a good boss for his old and new employees.

"I like to take companies to the next level ... That's what we've tried to do with Nokia Siemens networks in the past which was on the brink of survival few years ago," he said.

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Once the world's top mobile phone maker, Nokia hopes the merger will help it become the world's number one network equipment and service provider, with a combined revenue of nearly €25bil (RM112.04bil).

"While our portfolios are highly complementary, our cultures have many similarities," Suri told shareholders.

Nokia had obtained all necessary regulatory approvals for the deal last month, mainly from the United States, France and China.

"The strategic logic remains as compelling today as on the day when we announced the transaction," said Suri.

The acquisition will allow Nokia to expand from telecoms networks to Internet networks and 'cloud' services to compete better with its global rivals, the Swedish group Ericsson and Huawei of China.

"The combined company would lead in key geographies like North America and China ... Our innovation capabilities will be massive, with an annual spending of €4.7bil (RM21.06bil)," Suri said in mid-November.

Benefits of size

Analysts view the deal positively.

"In our opinion it makes sense. Of course every transaction has its difficulties and it won't be easy but clearly it will bring the benefits of size," said Equity strategist Kristian Tammela at Nordea Wealth Management.

"By ratifying the transaction in such great numbers, they (shareholders) have endorsed our strongly-held belief that the combined company will be better positioned to compete as a world leader in network technologies over the long-term," said Risto Siilasmaa, chairman of the Nokia board of directors.

This year Nokia has recovered from the financial woes it suffered after failing to adapt to the rapid rise of smartphones, which ended with it selling its unprofitable handset division to Microsoft two years ago.

Some shareholders were nervous ahead of the decision.

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Reijo Hakonen travelled 800 kilometres (500 miles) to Helsinki to hear what Nokia's board had to say about the deal. He has owned a small amount of Nokia's shares for many years.

"I am a little unsure about this union between Nokia and Alcatel-Lucent. It can be terribly difficult, two big companies with a different culture in each house. How will they manage to merge them? It isn't simple at all," he said.

The reformation is not Nokia's first. In its 150 years of existence, the company has redefined itself numerous times before, from a pulp, rubber and cable manufacturer to software and technologies. — AFP

Source: The Star Online (2015, December 3). *Nokia's Shareholders Approve Alcatel-Lucent Deal.* Retrieved from: <http://www.thestar.com.my/tech/tech-news/2015/12/03/nokias-shareholders-approve-alcatel-lucent-deal/>

Answer the following questions based on the case.

- a) Based on the case, which integration strategy is Nokia pursuing in the acquisition of Alcatel-Lucent? Explain your answer. (5 Marks)
- b) Explain the main objectives of the acquisition. (5 Marks)
- c) Explain **FOUR (4)** key actions Nokia need to take to ensure that the acquisition can achieve its objectives. (10 Marks)
- d) Explain **FOUR (4)** key benefits that Nokia can appreciate from the acquisition. (10 Marks)
- e) What was the strategy adopted by Nokia when it sold off its handset division to Microsoft? Explain **TWO (2)** possible reasons for Nokia to adopt the strategy. (10 Marks)

(Total 40 Marks)

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SECTION B (60 marks)

QUESTION 1

(a) What is a sustainability report? Explain **FIVE (5)** reasons for businesses to engage in preserving the environment. (12 Marks)

(b) Competitive intelligence signifies the importance for a firm to obtain information about its competitors. Identify **FOUR (4)** ways a firm can obtain competitive intelligence legally and ethically. (8 Marks)

(Total 20 Marks)

QUESTION 2

The Table below (see page 5) shows the Internal Factor Evaluation (IFE) matrix of Procter & Gamble. Answer the questions based on the matrix.

(a) Complete the Internal Factor Evaluation (IFE) matrix. (9 Marks)

(b) Interpret the meaning of the Total Weighted Score of IFE matrix for P&G. (3 Marks)

(c) Based on the IFE matrix, identify the three most important internal factors for the company to compete successfully in the industry. How well P&G is performing in these three most important factors? (8 Marks)

(Total 20 Marks)

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Key Internal Factors		Weight	Rating	Weighted Score
Strengths				
1	Proposed sale of Pringles line of snacks in 2011 for a premium of \$1.5 billion	0.12	4	
2	P&G is focused solely on the beauty and personal-care products business	0.08	4	
3	In 2011, Fortune ranked P&G the number one soap and cosmetic in the world	0.04	4	
4	New CEO, Mr. McDonald focuses on lowered products aimed at price sensitive customers	0.07	4	
5	P&G operates under a SBU structure	0.05	4	
6	23 P&G brands routinely earn over \$1 billion revenue per year	0.10	4	
7	Braun, bounty, Charmin, Crest, Downy, Gillette, Pampers are all top brands owned by P&G	0.10	4	
8	Invested over \$2 billion in R&D in 2010	0.05	4	
9	Market share grew in 14 of top 17 countries in 2010	0.07	4	
10	EPS is 3.94 in 2010	0.05	4	
Weaknesses				
1	No published vision statement	0.02	1	
2	\$57 billion in goodwill on balance sheet in 2010	0.04	1	
3	Profit declined 5% in 2011 yet revenue increased 2.9%	0.03	2	
4	Weak in profitability ratios	0.03	2	
5	Not operating as efficiently as Johnson & Johnson	0.05	1	
6	Spent \$772 million in advertising to Johnson & Johnson's \$366 million	0.07	1	
7	Consumers may not associate all of P&G brands with P&G rather view them as their own distinct companies	0.03	1	
Total		1.00		

QUESTION 3

(a) Explain product positioning/perceptual mapping. (2 Marks)

(b) You are recently hired as a marketing manager for a multinational corporation. The marketing team has developed a product positioning/perceptual map. However, the team has limited knowledge on how to use the map as a strategy-implementation tool. Explain the **THREE (3)** rules of using the map. (6 Marks)

(c) Research and Development (R&D) has an important role to play in strategy implementation. Firms have to decide on whether to acquire R&D expertise from external firms or to develop internally. Explain the **FOUR (4)** guidelines that firms can use to make the decision. (12 Marks)
(Total 20 Marks)

QUESTION 4

(a) Define policies. Explain **THREE (3)** functions of policies in strategy implementation with an example for each of them. (12 Marks)

(b) What is the main objective of the Balanced Scorecard in strategy evaluation? Provide **SIX (6)** issues where the Balance Scorecard is involved (8 Marks)
(Total 20 Marks)

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